REMARKS

I. Status of the Claims

Claims 38-41, 77-80, 82, 84, and 89-91 have been cancelled without prejudice or disclaimer of the subject matter therein. Claims 1 and 2 were previously cancelled.

Claims 5 and 44 have been amended and the amendments do not add new matter.

Claims 3-37, 42-76, 81, 83, and 85-88 are pending.

Applicants note that claims 85 and 86 were not formally rejected and also not designated as allowable subject matter. Applications respectfully request the status of claims 85 and 86.

II. Telephone Interview

Applicants thank Examiner Pond for the telephone interview with Mr. Louis DelJuidice on March 9, 2005 regarding this application. Applicants discussed the references and the claims and did not come to an agreement.

III. Rejections Under 35 U.S.C. § 103

Claims 3-4, 12-24, 29, 42-43, 51-55, 57-63, 67, 70, 81 and 83 are rejected under 35 U.S.C. § 103(a) as unpatentable over Liquid Audio's *Liquid Audio Music-On-Demand System*, dated October 10, 1997 ("Liquid Audio") in view of U.S. Patent No. 6,385,596 to Wiser et al. ("Wiser"). Claims 8-11 and 47-50 are rejected under 35 U.S.C. § 103(a) as unpatentable over Liquid Audio in view of Wiser and in view of two statements by the Examiner considering the ordinary skill in the art, Official Notice 1 (ON1) and Official Notice 2 (ON2). Claims 5, 25-28, 30-37, 44, 56, 64-66, 68-69, 71-75, and 87 are rejected under 35 U.S.C. § 103(a) as unpatentable over Liquid Audio in view of

Wiser and further in view of U.S. Patent No. 5,910,987 to Ginter et al. ("Ginter"). Claims 6-7, 37, 45-46, 76 and 88 are rejected under 35 U.S.C. § 103(a) as unpatentable over Liquid Audio in view of Wiser and Ginter and further in view of a statement by the Examiner considering the ordinary skill in the art, Official Notice 3 (ON3). Applicants note the Wiser is assigned to Liquid Audio.

Further, ON1 is the Examiner's statement that it would have been obvious to "disclose generating rights data, since it is well within the level of skill to ascertain that rights information displayed to the buyer is the result of generating rights data" (Office Action dated February 10, 2005, page 8). ON2 is the Examiner's statement that it is obvious to detect "a request for the media player and downloading the player" (Office Action dated February 10, 2005, page 8). The Examiner's ON3 is that it is obvious to offer "a default alternative offer, since it is well within the skill to ascertain that sellers of products (e.g. music stores) who do not have a particular product to sell as requested by a potential customer would suggest an alternative product or default offering (also known as a standard offering) in order to attempt a sale rather than let the customer spend money at a competing store" (Office Action dated February 10, 2005, page 14).

Applicants respectfully traverse the above rejections.

General Comparison of the Present Invention and the Prior Art

The electronic information/content industry is driven by a multitude of contractual obligations ("business rules") dictating who can sell what content, under what conditions, in which territory, etc. At the same time, electronic technologies opened doors for new content distribution models where the direct control of both the content owners, distributors and retailers diminishes (e.g., by consumers super-distributing content to each other). With diminished direct control comes

diminished capability to ensure that the latest "business rules" can be applied. The presently claimed method and system allows great flexibility in distributing content while having mechanisms in place to apply the most current "business rules".

The systems described in Wiser and Ginter are "linear", in a sense that "upstream" changes make their way through the value chain in a linear fashion, from the upstream element to the next. The changes cannot apply to the content that has already been distributed but not yet purchased. Further, the changes cannot apply in situations where some of the downstream elements have not updated their "business rules" at the particular time the consumer performs a transaction (as happens only too frequently in retail). The present invention, as claimed, contains "feedback loops" of validations steps build into it. The feedback loops make sure that in most cases the "upstream changes" automatically apply throughout the value chain.

In reference to the illustration attached hereto as Exhibit 1, for example, if a consumer wants to exercise a previously downloaded offer, the feedback loop make sure that the offer meets the latest business agreements or is updated. If a consumer B gets an offer forwarded from another consumer, the validation loop will make sure that the offer is valid for consumer B (which it may not be due to, for example, territorial restrictions) or get consumer B another offer. In another example, if a retailer did not update his offers to reflect the latest agreements, the system forces an update by means of the validation loop. The invention allows resource-constrained retailers to not invest into creating catalogs and offer management systems but to rely on the automated system to provide offers for them. The concept of validating offers in multiple feedback loops is described in multiple claims (e.g., 5-8, 11, 14, 34-37) and there is no equivalent in either Wiser or Ginter. Claim

37 shows how the latest rules can be applied even in situations where offers are already in consumers' hands and outside of a "linear" update mechanism.

By comparison, Wiser has no concept of separate offers and of validating these offers in real-time, in Wiser the upstream rules at some point propagate to the retail system which packages updated rights with the content. Ginter is more dynamic because offers can "travel" independently and "check" themselves against the local environment - but only with the data that was originally packaged into the offer. In contrast to both, the claimed method and system can add new information even after offers have been packaged and distributed. Attached, as Exhibit 1, is a graphical representation of the three systems in a simplified drawing. Both Wiser and Ginter are linear systems, with Wiser packaging content and offer (rules) together while Ginter being more flexible and delivering content and offers separately. The system and method of the present invention feedbacks loops from retailer to content owner and from consumer to content owner to "dynamically update[e] the predefined upstream business rule parameters and provid[e] the one or more offers to the consumer based on the dynamically updated upstream business rule parameters."

Liquid Audio is a Non-Enabled Reference

Applicants submit that Liquid Audio is not an enabling disclosure. Liquid Audio is promotional advertising for Liquid Audio, Inc.'s Music-On-Demand System and cannot teach one of ordinary skill in the art how to make and use what is disclosed. Individual elements of Liquid Audio, Inc.'s system are presented in terse paragraphs of 4 sentences or less. The Examiner contends that Liquid Audio teaches and enables one of ordinary skill in the art "enforcing

predefined business rules" and "dynamically updating business parameters upstream" (Office Action dated February 10, 2005, page 5).

Specifically, the Examiner characterizes the "Liquid Licensing Center being a trusted third-party system for delegating and enforcing licensing between the key parts of the system-licenses for consumers using the music player, distributors using the music distribution server, and publishers using the mastering tools" (Office Action dated February 10, 2005, page 5) and cites page U-3 of Liquid Audio. However, Applicants submit that the Examiner's statement above is not a summary of the disclosure of Liquid Audio but almost an exact quote of the entire disclosure. The pertinent part of Liquid Audio, page U-3, discloses:

> The Liquid LicenseCenter [sic] is a third-party entrusted system for delegating and enforcing licensing between key parts of the system – licenses for consumers using the Liquid MusicPlayer CD, distributors using the Liquid MusicServer, and publishers using the Liquifier. In addition to managing this process through registration, authentication, and certificate generation, the Liquid LicenseCenter takes over the responsibility for rights reporting to the appropriate agencies.

Applicants note that license enforcement and automatic rights reporting is the subject of many U.S. patents and the subject of numerous litigations before and since Liquid Audio was published. This "art" is complex with numerous factors regarding the level of protection and rights reporting schemes. Applicants respectfully submit that the above disclosure, in comparison to the complexity of the art, does not begin to enable one of ordinary skill to "enforce predefined business rules."

The Examiner further contends that the "Liquid License Center enforces licenses between the key parts of the system; Liquid Server's flexible design allows the artist to send dynamic product and promotional information comprising sale price, tour schedule, discounts, and coupons" (Office Action dated February 10, 2005, page 5). Again, Applicants note that the Examiner's statement is not a summary, but a near exact quote of the entire disclosure of Liquid Audio on the

particular subject. Liquid Audio discloses that "[t]he flexible design of the server allows you to send dynamic product and promotional information such as sales price, tour schedule, discounts and coupons; along with the Liquid Track to be received by the Liquid MusicPlayer CD" (Liquid Audio, page U-2, emphasis added). Applicants respectfully submit that the above does not enable one of ordinary skill in the art to dynamically update upstream business rules, per claims 3, 42, 81, and 83. One of ordinary skill in the art has no motivation or expectation of arriving at the claimed invention.

Applicants also note that Wiser seems to be the technical description of the non-enabled disclosure of Liquid Audio and Liquid Audio was published almost four months prior to the filing date of Wiser. Yet, Wiser is silent on a number of the key elements cited by the Examiner. There is no teaching or suggestion in Liquid Audio on how all the related systems work and that they should be dynamically updated, and thus are not enabled. It is only with improper hindsight in that the Examiner is using knowledge of the present invention to fill the gaps apparent in Liquid Audio.

Even if Enabled, Liquid Audio Does Not Teach or Suggest Numerous Elements

As discussed above, Applicants submit that Liquid Audio is not enabled. However, even if the Examiner maintains that Liquid Audio is enabled, Applicants submit that it does not teach or suggest all of the elements the Examiner contends it does.

The Examiner contends that Liquid Audio discloses the claimed steps from independent claims 3, 81 and 83 of "dynamically updating the predefined upstream business rule parameters, providing the one or more offers to the consumer based on the dynamically updated upstream business rule parameters ... delivering the requested information to the consumer and enabling the consumer to use the delivered information in accordance with the selected offer." Similar elements

are recited in independent claim 42. The Examiner sets forth that he "firmly believes" that "Liquid Audio teaches the Liquid License Center enforcing licenses between the key parts of the system and the Liquid Server's flexible design allowing the artist to send dynamic product and promotional information comprising sale price, tour schedule, discounts and coupons" (Office Action dated February 10, 2005, pages 2-3).

Applicants respectfully disagree. Again, Applicants note that the Examiner's statement is not a summary, but a near exact quote of the entire disclosure of Liquid Audio. Liquid Audio discloses that "[t]he flexible design of the server allows you to send dynamic product and promotional information such as sales price, tour schedule, discounts and coupons; along with the Liquid Track to be received by the Liquid MusicPlayer CD" (Liquid Audio, page U-2, emphasis added).

Applicants submit that other than the use of the word "dynamic", that there is no indication that the sales price, tour schedule, discounts and coupons are associated with "predefined upstream business rule parameters." Upstream business rules are, for example, "those representing the relationship between the distributor, Labels and the Artists." Specification, page 28, lines 2-3. These are contractual agreements between the parties that are involved in the creation and distribution of the electronic works and not with a consumer. The contracts between these parties change frequently and the related predefined upstream business rules must change just as frequently to match the contractual agreement between the parties. Sending a coupon does not teach or suggest an upstream business rule has changed and should or could be dynamically updated. The Examiner is using improper hindsight to contend that sending a coupon has any relation to dynamically updating business rules.

At best, the above disclosure discusses the ability of data to be sent at the same time as the electronic information. Liquid Audio is silent regarding if the "dynamic information" has anything to do with enabling the user's access to the electronic information. Applicants submit that the sales price, discounts and coupons cannot be directly associated with the offer that provided the user the electronic information (i.e. Liquid Track) if the product and promotional information is being transmitted along with the electronic information. It is unlikely that the user is receiving sales prices, discounts and coupons for the electronic information the user already bought. Further, a tour schedule may be associated with the electronic information being transferred, (information regarding the live performance of the recorded track) but a tour schedule has no bearing on enabling the user to use the selected information.

The above interpretation is supported further in Liquid Audio, page U-12, where Liquid Audio is discussing the Liquid MusicPlayer CD and discloses that "because of the advanced database functions offered in the system, Liquid MusicPlayer CD is the only software which includes the ability to purchase and download music while accessing up-to-date promotional information such as tour schedules, coupons and special offers." The "promotional information" is accessed "while" purchasing and downloading. Thus, Liquid Audio does not teach or suggest dynamically updating rules linked to offers, providing the offers and enabling use of selected electronic information based on the offer.

Wiser Does Not Teach or Suggest the Missing Elements

Wiser does not teach or suggest the elements lacking in Liquid Audio. Applicants respectfully submit that Wiser does not disclose or render obvious the claimed upstream business

rule parameters. Wiser only discloses encoding security measures into media data files to provide security against unauthorized copying.

Further, Wiser does not teach or suggest the concept of "providing the one or more offers to the consumer based on the dynamically updated upstream business rule parameters." Even if Wiser's security protocols are "upstream business rules" (which Applicants submit that they are not), the security protocols are not, nor can be, dynamically updated. Wiser watermarks and encrypts his electronic information upon or soon after creation. That encryption is fixed in the media. It always stays with the information and does not change.

Applicants respectfully submit that the claimed upstream business rules could only be found in Wiser using hindsight gained from knowledge of Applicants' disclosure.

Additionally, regarding the "formulating" step, Wiser does teach that a purchase price is displayed. However, there is no motivation or suggestion that the purchase price is anything more than a manually posted display of a dollar amount the content at one time sold for. Liquid Audio does not teach or suggest updating, nor that "offer information displayed to the buyer is a result of formulating an offer consistent with rights parameters."

Even if Liquid Audio and Wiser Disclose All Elements, they Either Teach Away or Destroy Purpose

If the Examiner maintains that Liquid Audio discloses the "dynamically updating step" then the Examiner has not set forth a *prima facie* case of obviousness because the combination of the references either teach away from each other or destroy the intended function of either Liquid Audio or Wiser. The Examiner contends that Liquid Audio teaches the dynamic updating of upstream business rules and cites "sales price, tour schedule, discounts and coupons" as examples of that.

Applicants have carefully reviewed Wiser and Wiser is silent on including "sales price, tour schedule, discounts and coupons" and anything else that could be considered an upstream business parameter with his media data file. However, Wiser makes mention of including "other information" with his songs. In that context, Wiser discloses:

> In another aspect of the invention, encrypted and un-encrypted versions of a song are combined into a single media data file, along with descriptive text, artwork, and other information. The encrypted version of the song is a high fidelity audio image that is to be purchased. ... In addition, descriptive information, such as cover art, lyrics, credits and the like, is also available for previewing. ... The media licensing center 110 is a licensing and certificate authority ... responsible for generating these public-private key pairs on behalf of the media player 116 for encrypting the media data files 200 and other information to be received by the media players 116.

Wiser, column 3, lines 51-63, and column 10, lines 18-26. Thus, Wiser teaches that additional information be encrypted with his media data file. Wiser further teaches that the encryption takes place at the initial stages of the creation of the audio image (a.k.a. electronic information):

> In another aspect of the invention, there is provided a complete security protocol that protects the purchase-quality audio images from creation by an artist all the way through purchase and playback by the user. The purchase-quality audio data is encrypted when created by the artist with a media key, a strong random number generated by an audio authoring tool. This media key is then encrypted with a public key of the content manager. The encrypted high-quality version of the song is combined with the lower-quality un-encrypted versions, descriptive information and the media key into the media data file. The media data file is uploaded to the content manager for storage in the media data file system, where it can now be purchased by consumers. While in storage in the online music distribution system, the audio images remain encrypted and tied to the specific content manager.

Wiser, column 3, line 64 to column 4, line 12. As stated above, any additional information is included and can be encrypted in the media data file and Wiser watermarks and encrypts his electronic information upon or soon after creation. The "other information" is fixed in the media data file with audio image and does not change. Thus, if the "other information" are "upstream

business rules" they are never "dynamically updated" to take into account changes in the contractual arrangement between the upstream parties. Wiser discloses that the media data file is not even available for purchase by consumers until after it is encrypted. Furthermore, Applicants submit that to "update" Wiser's "other information" each individual file would have to be decompressed, reencrypted, and recompressed. This is not actually done or suggested by Wiser and is far from the dynamic updating present in the claims. This teaches away from dynamically updating the files. Additionally, the combination destroys the intended purpose of Wiser, which is to protect by encryption all information send to a user. Or, the combination destroys the purpose of Liquid Audio, which the Examiner contends (and Applicants disagree with) teaches dynamically updating information and Wiser's system does not allow for dynamic updates.

Furthermore, Applicants respectfully submit that there are no teachings or suggestions that there is a second encryption scheme for the "other information" to protect it along with but separate from the media data file, in opposite, Wiser's system teaches that all information should be in one file.

Wiser does teach that "other information" can be transmitted unencrypted, but the unencrypted information is only the information that has no commercial value. Specifically, Wiser discloses:

> Media descriptive data 204 is text and image data associated with the audio files. These data include descriptive text, such as title, artist, lyrics, and liner notes, promotional art image data, and cover art image data. These data are preferably digitally signed to prevent them from being changed. The author of the file determines whether the media descriptive data 204 is encrypted or not. This allows the liner notes and credits data, for example, to be freely viewed by the potential purchasers, and thereby allows them to determine whether they are interested in purchasing the music, while ensuring other data that have commercial value, such as lyrics, are viewable only by purchasers.

Wiser, column 6, line 59 to column 7, line 3. Thus, Wiser teaches encrypting all commercially important information and one of ordinary skill in the art is not motivated to transmit unprotected information relating to the business rules governing the media data file.

Wiser also discusses, as part of the system to preview a file, that updated media descriptive data is downloaded during a preview request:

> The delivery server 118 receives the voucher ID and media ID and contacts 722 the content manager 112 to obtain the media information from the media information database 106. The delivery server 118 specifies to the content manager 112 the media ID for the media data file 200, and the number of, and specific types of information to be retrieved from the media descriptive data 204. This step is to obtain the most current information about the media data file 200, in case there have been any updates, for example to the price information or other data. The content manager 112 responds 724 with media information of each requested type.

Wiser, column 15, lines 44-55. Wiser discusses how the media descriptive data is loaded (a.k.a. "updated") prior to this disclosure. The media descriptive data is, as described above, incorporated and/or encrypted with the media data file. The content manager receives the media data file, with the media descriptive data, decrypts the file and divides out the media descriptive data to be saved in a different database. Wiser does not disclose "updating" in the context of refreshing existing media descriptive data, but "updating" as in adding new media descriptive data to database where that particular media descriptive data was not present. Wiser's use of the term "update" is contrary to the use in the claims. Independent claims 3, 42, 81 and 83 recite that the predefined upstream business rule is first formulated and then updated. Wiser's full disclosure regarding adding new media descriptive data is below:

> The content manager 112 maintains a media information database 106 ... In order to obtain media data files 200 for distribution, the authoring tools 102 are used by individual artists to create the audio data and associated media data in the media data files 200 to be delivered over the network to the content manager 112 for storage in the master media data file system 120. Information descriptive of the master media

> data files is extracted by the content manager 112 from each of the master media data files and stored in the media information database 106. ... Once imported and catalogued by the content manager 112 into the media information database 106 the master media files are generally available for preview and purchasing by individual users. ... The content manager 112 receives the media data file 200 and extracts 524 the media descriptive data from it, and updates 526 the media information database 106 with a new entry for the media data file 200. The content manager 112 also stores 530 the media data file 200 in the master media data file system 120. If the `For sale` flag 216 of the new media data file 200 is set, then the media data file 200 is ready for purchase by a consumer.

Wiser, column 5, lines 52-53; column 10, lines 48-58; column 11, lines 23-25; and column 12, lines 55-62 (emphasis added). Further, even if one of ordinary skill in the art were to misinterpret Wiser's disclosure, Wiser still does not disclose performing the step dynamically. Wiser is silent on where his "updates" come from. There is no indication that there is a constant and dynamic refresh of information just that "updates" are available. Thus, Applicants submit that Wiser does not teach or suggest the missing elements from Liquid Audio.

Dependent Claims

Regarding claims 11 and 50, the Examiner admits the neither Liquid Audio nor Wiser teach or suggest generating rights data and the Examiner takes the position that it is obvious to one of ordinary skill in the art to generate rights data (ON1). Whether or not generating rights data is obvious, there is clearly no teaching or motivation in either reference to dynamically update the rights data.

Liquid Audio teaches that rights information can be packaged with the content in that "copyright protection [is] a standard part of the encoding process ... [including] copyright information and even rights tracking." Liquid Audio, pages U-8 and U-9 (emphasis added). Liquid Audio discloses that any rights data is encoded in the media. Thus, the entire media file would need

to be replaced to update the rights data. Liquid Audio is silent on constantly replacing the media file to update the rights data. Further, one of ordinary skill in not motivated to constantly re-encode and re-deliver the media file every time the rights data changes.

Further, Applicants have reviewed Wiser and cannot determine a direct correlation between the claimed rights data and the elements disclosed in Wiser. The Examiner makes the general statement that Wiser discloses rights data because he displays a purchase price but does not reference Wiser as to the structure that performs such a function. Wiser discloses security features and "media vouchers" but neither are dynamically updated. Media vouchers are created at the time of purchase and the security features are static with the media data file, thus neither can be "dynamically updated".

Regarding dependent claims 18, 57 neither Liquid Audio nor Wiser discloses "determining whether the consumer has a player, providing the consumer with the player when the consumer does not have the player, and activating the player for the consumer. The Examiner admits that both are silent regarding this element. *See*, Office Action dated February 10, 2005, pages 8-9. The Examiner contends that the above obvious to one of ordinary skill in the art (ON2). Applicants respectfully submit that it is not obvious. Automatically detecting if the user has the player, providing it, and activating it requires a complex series of instructions and sophisticated data gathering of the consumer's computer to determine compatibility issues. Applicants submit that as of the date of filing, and carrying forward to today, this feature is rarely used due to its complexity and is not obvious to one of ordinary skill.

Regarding dependent claim 70, neither Liquid Audio nor Wiser discloses a system that can:

> receive a query containing one or more search terms from the consumer; reference a catalog to determine whether there is any entry containing the one or more search terms; return to the consumer one or more content references corresponding to any entry containing the one or more search terms when such entry is present in the catalog; and receive from the consumer a content reference selected by the consumer indicating a request for the information identified by the content reference.

Liquid Audio only discloses that the "Liquid MusicPlayer CD" can sort (not search) files after they have been downloaded. *See*, Liquid Audio, page U-12. Thus, Liquid Audio does not teach or suggest referencing a catalogue by a search term. Further, Wiser discloses that the:

> music player 116 provides user interface controls for viewing lists of purchased and stored media data files 200, viewing cover and promotional art and graphics, reading lyrics and other liner information, organizing play lists and tracklists, and other music database management features. ... [and that] the user will be viewing in the Web browser 128 some form of menu, catalogue, index or other listing of music and media available for purchase, and may be similar in form to the preview listing of FIG. 8.

Wiser, column 10, lines 7-12 and column 16, lines 31-34. Applicants submit that the above does not specifically teach or suggest that the consumer can enter a search query to search a catalogue to determine if an entry matches the search criteria. Even if the Examiner contends that Wiser teaches these elements, Wiser clearly does not teach or suggest sending a content reference to the consumer in response to the query request and that the consumer can use the content reference to initiate a request for the information. A "content reference" is not disclosed in any of the prior art of record. A content reference is:

> an address or pointer to content and is the mechanism to refer to content indirectly. A content reference contains a small amount of descriptive information about a piece of content. This descriptive information contains sufficient information to allow a consumer with a Consumer Player to determine what the content is and how to get to the content, but does not contain the actual content.

Specification, page 63, lines 4-8. There is no analogous element taught or disclosed in Liquid Audio or Wiser.

Regarding the dependant claims depending on the above independent claims, particularly claims 4, 8-10, 12-17, 19-29, 43, 47-49, 51-56, and 58-68 are allowable based at least on their dependence to the independent claims.

Ginter Does Not Disclose the Elements of the Claims

There are key differences between Ginter and the present invention in claims 5 and 44. In summary, Ginter does not disclose, as part of his method, looking at an existing contract, between different parties, to settle an offer (negotiations) between two parties in the present. Ginter may arguably suggest one or more ways to create an e-contract, but does not show the claimed method and system for validating a later offer, by a different party, against an earlier contract. Claims 5 and 44 provide for a predetermined contract between a distributor and a retailer previously agreed upon. The offer is formulated, provided and exercised by the consumer. The offer is then validated against the previously agreed upon contract between the distributor and retailer.

Specifically, the claims provide an electronic contract that was previously negotiated and settled between a distributor and a retailer. The contract refers to the terms under which the retailer can distribute information. This is the electronic contract claimed in claim 5 and 44. The offer is provided to a consumer and the offer is related to the item of information. The consumer selects an offer and the offer is validated against the electronic contract.

The validation of the offer involves "*determining whether the offer is consistent with the electronic contract.*" Thus, the electronic contract is formed in advance of receiving the offer and the offer is thereafter validated against the electronic contract when a consumer is ready to make a purchase. In this way, the most up to date electronic contract is used and a consumer's purchases

are only completed if validated. Ginter does not disclose or suggest previous agreements being updated and accessed dynamically for validation, so that an offer to a consumer (a third party) can be authorized and processed.

Further, the present invention centers on content and transactions concerning the content based on previously negotiated and agreed upon contractual terms. In contrast, Ginter centers on negotiations between parties to ***form*** a contract. For example, Ginter may suggest one or more ways to create an e-contract, but does not show the claimed method and system for validating a later offer, by a different party, against an earlier contract. Significantly, Ginter also does not address the problem that the earlier contract may change after it is first formed and before the offer is made to a consumer.

Thus, the claimed validation step provides that if the terms of the offer do not match the electronic contract, the candidate retail offer is not validated. The electronic contract and the candidate retail offer do not "haggle" or negotiate to form a new contract, as taught by Ginter.

Ginter dedicates over 9 columns to discussing the negotiation of contracts and discloses:

> Negotiation and Electronic Contracts... Electronic agreements, like traditional agreements, may be negotiated between their parties... Negotiation is defined in the dictionary as "the act of bringing together by mutual agreement." The preferred embodiment provides electronic negotiation processes by which one or more rights and associated controls can be established through electronic automated negotiation of terms. ... A more complex form of a negotiation is analogous to "haggling." In this scenario, most of the terms and conditions are fixed, but one or more terms (e.g., price or payment terms) are not. For these terms, there are options, limits, and elements that may be negotiated over.

See, Ginter, column 241, line 55 to column 250, line 67.

In contrast, Applicants claim that either the offer matches the terms of the electronic contract or it is not validated. Once validated, the content is provided to the consumer, the consumer pays,

and the compensation is distributed to the parties per the electronic contract. Thus, in the claims, there are three parties involved in a transaction, the distributor, the retailer and the consumer. The distributor and retailer negotiate and form an electronic contract for the distribution of content. The consumer, who is not a party to the electronic contract, is still subject to its terms because the terms of the electronic contract govern the validation of the offer the consumer is requesting. For example, the Specification discloses that:

> The retailer enters a contractual arrangement with a content owner, namely, a distributor, to establish the rules for the retailer to sell content from that distributor. Based on the contract, the distributor (via Production Systems) creates an electronic contract (E-Contract) which is a set of rules against which the retailer's unique offers can be evaluated for validity. The E-Contract is sent to the distributor's Reference Service.

Specification, page 19, lines 16-20.

The claimed method of validating an offer against an electronic contract is in contrast to a negotiation of distribution terms among any two or all three of the parties. Ginter differs and is concerned with forming an electronic contract between two parties by negotiating terms between them, using software (i.e. agents), until an agreement is reached or negotiations fail. Ginter discloses the negotiation of a contract electronically. Ginter discloses two parties to the contract and each party sets out their terms and preferences for the contract as a control set. The two control sets are in the nature of bids, and are compared electronically against each other to find mutually acceptable terms. Ginter defines the electronic comparison of terms as his "negotiation." The expression of the accepted terms becomes a new control set and is incorporated into an electronic contract between the parties. *See*, Ginter, column 241, line 55 to column 254, line 34.

Claim 1 of Ginter supports this interpretation:

> [a] method for negotiating electronic contracts, comprising: receiving a first control set from a remote site; providing a second control set; performing, within a protected processing environment, an electronic negotiation between said first control set and said second control set, including providing interaction between said first and second control sets; and producing a negotiated control set resulting from said interaction between said first and second control sets.

Ginter's first and second control sets are not electronic contracts. Both control sets are, at best, offers to sell or bids for purchase. Ginter states that:

> [o]ne control set may describe a fixed ("higher") price for using the content. Another control set may describe a fixed ("lower") price for using the content with additional control information and field specifications requiring collection and return the user's personal information. ... To perform the negotiation, one party may propose a control set containing specific fields, control information, and limits as specified by a PERC [Permissions Record]; the other party may pick and accept from the control sets proposed, reject them, or propose alternate control sets that might be used. The negotiation process may use the permitted, required, and optional designations in the PERC to determine an acceptable range of parameters for the final rule set. Once an agreement is reached, the negotiation process may create a new PERC and/or URT [User Rights Table] that describes the result of the negotiation. The resulting PERCs and/or URTs may be "signed" (e.g., using digital signatures) by all of the negotiation processes involved in the negotiation to prevent repudiation of the agreement at a later date.

Ginter, column 243, line 25 to column 244, line 5. Thus, Ginter's control sets are defined, exchanged, modified and negotiated until there is an acceptable agreement between the parties. There must be an agreement about what the control set includes (the specific fields) as well as the content or terms that will constitute a match. Only when all of the terms are accepted is an electronic contract formed, which Ginter discloses as a new control set that is "signed" by the parties. The definition of the term "negotiation" as defined by Ginter, "the act of bringing together by mutual agreement" (Ginter, column 242, lines 5-6) would lead one of ordinary skill in the art to realize that a contract has not yet been formed, since one does not "bring together" parties after a contract is agreed upon.

Ginter falls short of the claimed method, which begins where Ginter ends. The claimed invention allows parties outside the distributor/retailer relationship to purchase content in accordance with the contract previously negotiated and agreed upon between the distributor and the retailer. The electronic contract is not accessed until the time of the user's request, so the most current contract is used.

Furthermore, even if Ginter suggests to one of ordinary skill in the art that three parties can negotiate a contract using Ginter's method (which Applicants submit that it does not), Ginter still falls short of the claimed invention. Using Ginter's method, the distributor, the retailer and the consumer would all send control sets to negotiate a single contract, with the consumer's control set having input into the relationship between the distributor and the retailer. All the parties would negotiate contemporaneously until an agreement is reached. There would be no need for an offer validation step because no electronic contract would be formed prior to the consumer's negotiations. Alternately, if the Examiner assumes that the distributor and retailer use Ginter's method for one contract and the retailer and the consumer use the method for another, this still falls short of the presently claimed invention. Ginter's method only negotiates with the control sets at hand, and Ginter does not teach or suggest that control sets should come from a previous contract negotiated with a different set of control sets between different parties.

Regarding claims 6-7, 45-46, 76, and 88 the Examiner states that Liquid Audio, Wiser and Ginter do not disclose providing alternate or default offers and takes the position that one of ordinary skill in the art would do so because seller "who do not have a particular product to sell as requested by a potential customer would suggest an alternative product or default offering."

Official Action dated February 10, 2005, page 14. Applicants respectfully disagree with the Examiner's characterization of the alternate and default offers.

The Examiner states that it is obvious for a seller to offer an alternative product, i.e. not the product originally selected by the user. However, this mischaracterizes both the alternate and default offers. The alternate and default offers are for the same product that the user originally selected. Due to the dynamic nature of the present invention, as reflected in the claims, the first offer provided to the consumer may not be valid at the time the user selects it. Thus, the system has multiple offers, in which if the first offer is not validated, the alternate or default offer is presented to the consumer. The Specification, page 48, line 22 to page 49, line 8, states that:

> In the event that the consumer selects an offer that has expired, the consumer will be offered a choice of valid offers. Selecting an expired offer may arise when the consume clicks on a locally stored reference describing a timed-out offer to a previously downloaded content. When the Consumer Player in conjunction with the RMS checks the offer, it is then determined that the offer has expired. The consumer is then offered a choice to use the content's Default Offer or attempt to find another offer from the same retailer. If the consumer chooses the Default offer, the content is purchased with the Default Offer. If the consumer chooses to find a substitute, the Consumer Player messages the Reference Service which finds a substitute offer from the same retailer. In either case, the Consumer receives a valid offer.

This is very different from offering a different product all together and is not obvious to one of ordinary skill in the art of virtual retail.

Further, if the Examiner maintains that providing different offers for the same content once an offer has failed to be validated, Applicants respectfully submit that Wiser teaches away from this concept. Wiser only discloses only the situation where the consumer selects an item of content and the content is not present (since Wiser does not disclose offers). If the content is not present, the only step Wiser takes is to report an error message to the consumer. Wiser repeats this multiple times for each problem encountered with delivering content to the consumer. Specifically,

> The content manager 112 receives the preview request, and validates 706 that media data file 200 specified by the media ID exists. ... If the requested media ID ... [and] media data file 200 is not present here, the content manager 112 returns an error. ... When a delivery server 118 allocates a stream then, it updates the content manager 112 with this information. ... If no streams are available, then the content manager 112 returns a message to the Web browser 128 indicating that the preview cannot be delivered at the present time. ... The content manager 112 looks up the received media ID in the media information database 106 to confirm 918 that the requested song exists and is available for purchase. If the media data file 200 ... [does not exist] the content manager 112 returns a message indicating the media ID does not correspond to a known media data file 200 or that the corresponding file is not available for sale; this information is communicated back to the Web browser 128.

Wiser, column 14, lines 52-60; column 15, lines 10-18; and column 17, lines 7-16.

Regarding claims 34-36, 73-75, and 87, Ginter does not teach or suggest certifying candidate offers and converting them to certified offers. Specifically, the claims provide an electronic contract/upstream business rules previously negotiated and settled between a content owner/distributor and a retailer. The contract/rules refer to the terms under which the retailer can distribute content. A candidate offer is related to the content and can be created by the retailer.

The certification of the candidate retail offer involves "determining if the candidate retail offer is consistent with an electronic contract [or] an upstream business rule." Thus, the electronic contract/business rule is formed in advance of receiving a candidate offer and the candidate offer is thereafter validated against the electronic contract/business rule. Ginter does not disclose or suggest previous agreements or terms being accessed for certifying an offer, so that an offer for a consumer (a third party) can be certified and processed to allow the consumer to receive and use the item of electronic content.

Regarding dependent claims 30-33, 37, 69, and 71-72, they are allowable based on the independent claims from which they depend

Thus, Liquid Audio, Wiser, Ginter, and/or the Examiner's Official Notices do not, alone or in combination anticipate or render obvious all the elements of claims 3-37, 42-76, 81, 83, and 85-88. Further, Liquid Audio, Wiser, and/or Ginter teach away from specific elements, as outlined above. Accordingly, Applicants respectfully request that the above rejections be withdrawn.

CONCLUSION

In view of the above amendments, applicant believes the pending application is in condition for allowance.

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Respectfully submitted,

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